

**APPENDIX 12**  
**Financial Management Plan**

## Kittiwake Financial Management Plan



# Kittiwake - Financial Management Plan

## *Schedule 4 of the Lease Agreement*



**Prepared by:**  
**Cayman Islands Tourism Association**

**17<sup>th</sup> June 2008 (revision 1.0)**

## **Kittiwake Financial Management Plan**

The Cayman Islands Tourism Association (“CITA”) present this Financial Management Plan outlining the conditions of the financial capabilities of the Leased attraction referred to as the “Kittiwake”, inclusive of our ability to fund the financial plans to manage the Kittiwake both pre and post sinking.

The general conditions identified in this Financial Management Plan provide the basis to the Cayman Islands Government (“CIG”) that the Kittiwake has adequate financial coverage, given the projections and costs included herein, to support the financial viability of the Kittiwake, including ongoing operating costs, insurance, liability and indemnification for all parties.

### **1. Pre-Sinking – Acquisition Financial Funds**

- 1.1 Funds for the acquisition, remediation, towing and sinking of the Kittiwake have been secured over the past 5 years through contributions of the Ministry of Tourism, Department of Tourism, CITA, CITA fund raising efforts and private sector donations to the Kittiwake. The total projected projects costs through the sinking of the Kittiwake are covered through these initiatives, including a projected cost overrun for fuel costs for the tow to Cayman from Virginia plus a small surplus for any unknown cost overruns.
- 1.2 In the event that funds in excess of the needed funds for the sinking of the Kittiwake are left over after successful sinking, the CITA will apply these excess funds towards the CITA operational budget for the annual maintenance and management of the Kittiwake.
- 1.3 The CIG has committed to a cost overrun contingency from the 2007/2008 fiscal year as noted in the budget in 1.5 below.
- 1.4 The CITA has committed to the same dollar amount as a cost overrun contingency during the 2008 calendar year, including various fund raising initiatives including allocation of funds from the annual CITA Taste of Cayman event hosted next in November 2008. Additionally, CITA will undertake to raise funds specifically for the Kittiwake through a number of other fund raising activities leading up to, during and following the sinking of the Kittiwake.
- 1.5 The budget for known and projected costs through the sinking of the Kittiwake is included in *Schedule 1* of this Financial Management Plan.

### **2. Pre Sinking Insurance Coverage**

- 2.1 Insurance coverage is in place during the time from transfer of the Kittiwake to the CIG in the US and during remediation work, including environmental damage coverage, in the US. This coverage is provided by Dominion Marine Group, the Contractor, and/or through their subcontractors.
- 2.2 Insurance coverage will be in place for the tow to the Cayman Islands, including loss of the ship, through the towing subcontractor.

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- 2.3 CITA, acting as Agent for the CIG, has or will provide copies of all insurance policies to the CIG, naming CITA and CIG as co-insured on all policies. The insurance policies are included in the Application to MARAD.
- 2.4 West Indian Marine has also provided an insurance policy of One Million, two hundred thousand (\$1,200,000.US) to cover the time period while the Kittiwake is in Cayman including from when the Kittiwake arrives in Cayman through to the successful sinking of the Kittiwake. The insurance policy includes wreck removal or moving of the Kittiwake if needed, per the terms and conditions of the Sinking Plan. (Schedule 2 of the Coastal Works License)
- 2.5 All insurance costs are covered in the overall project costs as outlined in *Schedule 1* of this Financial Management Plan.

### **3. Post-Sinking Operations Management Financial Plan**

Following the sinking of the Kittiwake, the CITA commits to the ongoing management and maintenance of the Kittiwake during the term of the Lease Agreement. The Maintenance Plan requirements are defined in the Maintenance Plan under Schedule 3 of the Coastal Works License. The financial management for the support of the Maintenance Plan is defined herein.

#### **3.1 Environmental Contingency Fund**

- 3.1.1 The CI Department of Tourism (“CIDOT”) has agreed to provide the initial contingency fund for future potential environmental impact, damage or restoration of the Kittiwake following the sinking of the Kittiwake. (“Environmental Contingency Fund”) This fund will be paid by CIDOT to CITA annually and will be maintained by CITA at all times during the term of the Lease Agreement.
- 3.1.2 The Environmental Contingency Fund will be held and accounted for separately by the CITA, separate from other CITA funds. This fund will be held in a separate account by the CITA and will not be able to be used for any other purpose than that stated herein.
- 3.1.3 The Environmental Contingency Fund will be initially funded by CIDOT starting in the 2008/2009 CIG fiscal year at a contribution rate of Fifty Thousand (\$50,000.)CI per annum, until a total of Two Hundred Thousand (\$200,000.)CI is accumulated in the Environmental Contingency Fund. This includes contributions of Fifty Thousand (\$50,000.)CI per annum from 2008/2009 fiscal year through 2011/2012 fiscal year.
- 3.1.4 The Environmental Contingency Fund will only be used as agreed to by the CITA and the CI Department of the Environment (“CIDOE”) for the sole purpose of mitigation or correction of environmental damage or potential environmental damage to the waters, marine life and/or reefs of Cayman that are caused by the Kittiwake.

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- 3.1.5 In the event of the termination of the Lease Agreement, the Environmental Contingency Fund will be released by CITA to the CIG, CIDOE or new Lessee of the Kittiwake, as directed by the CIG and the CIDOE.
- 3.1.6 CITA will use a portion of the License Fees (as defined in 3.2 following) to also contribute CITA funds to the Environmental Contingency Fund. As CITA funds are remitted to the Environmental Contingency Fund, an equal amount will be given back to the CIDOT or deducted from the next year contribution, if CIDOT contributions are still in effect. Any funds from CITA to the CIDOT that are reimbursed will be applied to the same budget as where the CIDOT took the funds from in the first instance. This process will allow the CITA to accumulate, over time, its own Environmental Contingency Fund while providing the needed funds early on in the project to satisfy CIDOE requirements.
- 3.1.7 The License Fees collected by CITA, during the term of the Lease Agreement will be allocated as follows:
  - 3.1.7.1 to firstly pay all operational and maintenance expenses of the Kittiwake, and following these expenses being paid, then:
  - 3.1.7.2 twenty-five percent (25%) of excess funds from the License Fees will be allocated to the Environmental Contingency Fund on an annual basis until such time as one hundred percent (100%) of the Environmental Contingency Fund has been provided by the CITA,
  - 3.1.7.3 twenty-five percent (25%) of excess funds from the License Fees will be allocated to marketing, promotion, advertising, collateral materials or public relation functions,
  - 3.1.7.4 25% of excess funds from the License Fees will be allocated to CITA as working capital,
  - 3.1.7.5 10% of excess funds from the License Fees will be allocated towards a property damage allocation until Fifty Thousand \$50,000. CI is accumulated,
  - 3.1.7.6 15% of excess funds from the License Fees will be allocated to miscellaneous for future unknown needs.
- 3.1.8 In no event will the CITA be responsible for environmental damage caused due to acts of God except for cleanup after the fact and then only to the extent that the Environmental Contingency Fund covers such costs.

### **3.2 License Fee**

- 3.2.1 The CITA, as authorized under the terms of the Lease Agreement with the CIG will collect a per visitation fee ("License Fee") by the way of a monthly license ("License") to visit the Kittiwake as an entrance or usage fee to the Kittiwake.

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- 3.2.2 The License Fee will be paid by all companies and individuals that visit the Kittiwake on a monthly or yearly basis.
- 3.2.3 The amount of the License Fee will be established by and subject to annual review by the CITA. For the initial year of the Lease Agreement, the established License Fees are included as ***Schedule 2*** to this Financial Management Plan.
- 3.3 A separate fee structure will be provided for commercial operators for stay over visitors, commercial operators for cruise visitors and private individuals, or as adjusted and revised from time to time by CITA.
- 3.4 The License Fee will be used by CITA to fund the maintenance of the Kittiwake including administrative and marketing costs and for other general use as so decided upon by CITA, after fulfilling all of its obligations under this Financial Management Plan.
- 3.5 The CITA Executive Director will at all times be able to administer the Environmental Contingency Fund in a timely manner and issue payments from a CITA Kittiwake checking account, with appropriate guidelines established by the CITA Board of Directors for single or dual signing given the amount of the check and documented procedures for approval of any major outgoings.
- 3.6 Payments for any outgoings will be made in a timely manner to support the needs of the Kittiwake.
- 3.7 The first year budget for the Operating Costs of the Kittiwake are included as ***Schedule 3*** to this Financial Management Plan.
- 3.8 In order to satisfy the needs of the Maintenance Plan for the first year of operations of the Kittiwake, it will require approximately the following visitors to the Kittiwake or various combinations thereof. Private and non commercial operators, given the limited funding related to these activities, have not been included in this equation.

***Stay over visitors: 3,000 stay over visitors at \$10. each(weekly pass)***  
***Cruise visitors: 30,000 cruise visitors at \$5. each (daily pass)***

- 3.9 CITA has evaluated the potential number of visitors to the Kittiwake that are required to meet the CITA obligations under this Financial Management Plan and believe that they are attainable with the support of the watersports operators of the CITA.
- 3.10 The CITA will be collecting the License Fee, in the case of Commercial Licensed Operators (“Commercial Licensed Operators”), by means of a monthly projection of usage, and using reasonable but minimal monitoring to validate the reasonableness of the License Fees paid. As such, the License Fees are not an exact contribution based on the

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actual numbers of visitors to the Kittiwake but should be reasonable as to overall usage of the Kittiwake on a year round basis.

### **3.11 Conditions of License**

3.11.1 Both Commercial Licensed Operators and private individuals (“Private Licensed Operators”) may apply to the CITA for a license (“License”) to visit the Kittiwake and only operators/individuals licensed by CITA will be allowed access to the Kittiwake. (Commercial Licensed Operators and Private Licensed Operators are collectively referred to as “Licensed Operators”)

3.11.2 Any individual or company that visits the Kittiwake without a License will be trespassing on a privately leased and operated attraction and will be subject to any normal action against trespassers as are provided for by the laws of the Cayman Islands.

3.11.3 CITA will have no responsibility to the CIG for liability nor indemnification for trespassers to the Kittiwake.

3.11.4 A License from CITA to the Kittiwake will not be unreasonably withheld given that:

3.11.4.1 Commercial Licensed Operators are members of the CITA but Private Licensed Operators do not have to be members of the CITA,

3.11.4.2 Licensed Operators sign and agree to adhere to the Safety Rules and Operations Guidelines governing the Kittiwake.

3.11.4.3 Commercial Licensed Operators agree:

3.11.4.3.1 to carry underwater liability insurance of a minimum of One Million (\$1,000,000.) US per incident for divers or Two Million (\$2,000,000.) US per incident for snorklers and further that:

3.11.4.3.2 all insurance policies will be paid annually in advance and non-cancelable,

3.11.4.3.3 the CIG and the CITA are listed as co-insured on the insurance policy,

3.11.4.3.4 a copy of the insurance policy is provided to CITA and available to CIG upon request,

3.11.4.3.5 monthly projections based on the average number of passengers per boat and the total anticipated number of trips will be reported to CITA for monthly invoicing purposes of the License Fees,

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3.11.4.3.6 every boat visiting the Kittiwake will be subject to License, but that multiple boats from the same Licensed Operator can be included on one application for a License.

- 3.12 Private individuals will agree in the Licensee Agreement to a release of liability and indemnification of the CITA and the CIG for visiting the Kittiwake.
- 3.13 At all times during the Lease Agreement, the CITA will cause all Commercial Licensed Operators to maintain third party underwater liability insurance for any potential accidents or fatalities, and the CITA will have written verification that all Licensed Operators have co-insured the CIG and CITA in this liability policy.
- 3.14 All Licensed Operators agree to the terms of the License Agreement.
- 3.15 Timely payment in advance of all fees due for the License are made or the License may be suspended or cancelled by the CITA until such time as this condition is satisfactorily remedied.
- 3.16 Clear identification will be given to all Licensed Operators to the Kittiwake by way of individual medallions/wrist bands/boat decals and/or other similar means. Identification of Licensed Operators will also be color coordinated to note the time period that entrance is valid for. (e.g. Day pass, annual pass) The details of the mechanism for this operational guideline are contained in the Safety and Operations Guide as Schedule 1 to the Lease Agreement.

### **4. Public Awareness Campaign**

- 4.1 The CITA will undertake a public awareness campaign for stay over visitors, cruise ship visitors, residents and all tourism partners to impart the importance of the Kittiwake and its needs for funding to support both ongoing maintenance for visitor safety and environmental protection.
- 4.2 The CITA will undertake at all times during the term of the Lease Agreement to assure that CITA and CIG are jointly indemnified against all bodily harm, injury from underwater activities and liability and indemnification to CIG for the same.

### **5. Marketing Plan**

- 5.1 The financial needs for marketing and promotion of the Kittiwake are covered in a separate Marketing Plan as Schedule 3 of the Lease Agreement, including any rights and fees for logos, trademarks, merchandising and the like, except as noted under 3.1.7.3 herein.

### **6. Statistical and Financial Reporting**



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- 6.1 Statistical information will be collected for use by CIG and the CITA. Information collected will assist the partners in the Kittiwake to evaluate the success of the Kittiwake as an artificial reef, the financial return on our investment and information for consideration of any new/future wrecks.
- 6.2 Information collected will include financial reporting on revenues and costs and number of visitors to the Kittiwake on a monthly basis and will be provided to CIG including:
  - 6.2.1 Visitors per month compiled and submitted quarterly by CITA to CIG including divers, snorklers and submarine passengers on the Kittiwake with cruise visitors noted separately from stay over visitors,
  - 6.2.2 Quarterly P&L Statement showing costs and revenues.

## Kittiwake Financial Management Plan

### Schedule 1 – Budget for acquisition and sinking of the Kittiwake

| <b>Kittiwake Budget Oct 2008 (US\$)</b>                  | <b>Amount</b> | <b>Paid</b> | <b>Balance</b> |
|--|---------------|-------------|----------------|
| <b>Phase 1 - Kittiwake Remediation</b>                   |               |             |                |
| Contract Bid (DMG)                                       | 260,000       |             | 260,000        |
| Kittiwake Reefing Plan - included in above               |               | 10,500      | 249,500        |
| Paint Sampling - add on to contract                      | 15,000        | 15,000      | 249,500        |
| Universal Laboratory - QA/QC Report - Paid               | 630           | 630         | 248,870        |
| 30% deposit paid - April 2006                            |               | 82,500      | 166,370        |
| Interim payment on account (April 06/held by DOT cheque) |               | 92,000      | 74,370         |
| Interim payment on account (May 07/held by DOT cheque)   |               | 70,000      | 4,370          |
| <b>Phase 2 - Towing Virginia to Cayman</b>               |               |             |                |
| Contract Bid (DMG)                                       | 121,000       |             | 121,000        |
| 30% deposit paid April 2006                              |               | 36,000      | 85,000         |
| Interim payment (May 2007 - held)                        |               | 70,000      | 15,000         |
| <b>Total due: Dominion Marine (Phase 1 &amp; 2)</b>      |               |             | <b>19,370</b>  |
| <b>Held on Account by CITA</b>                           |               | 35,000      | <b>-19,370</b> |
| <b>Balance Outstanding:</b>                              |               |             | <b>0</b>       |
| <b>Environmental Services (Add on from contract)</b>     |               |             |                |
| Documentation Preparation #27458                         | 1,560         | 1,560       | 0              |
| Revisions to Sampling plan                               | 2,096         | 2,096       | 0              |
| Post remediation inspections and report                  |               |             |                |
| 2007080801-R3  | 20,565        |             | 20,565         |
| 120 paint samples/lab reports @ \$125 ea.                | 15,000        |             | 15,000         |
| <b>Total due: Environmental Services</b>                 |               |             | <b>35,565</b>  |
| <b>Held on Account by CITA</b>                           |               | 35,565      | <b>-35,565</b> |
| <b>Balance Outstanding:</b>                              |               |             | <b>0</b>       |
| <b>Phase 3 - Sinking of the Kittiwake</b>                |               |             |                |
| Contract Bid (WIM)                                       | 49,171        |             | 49,171         |
| 30% deposit paid April 2006                              |               | 14,751      | 34,420         |
| Interim payment on account (April 06/held by DOT cheque) |               | 16,500      | 17,920         |
| Interim payment - Paid Aug 2007 invoiced (May 2007)      |               | 9,834       | 8,086          |
| <b>Total due: West Indian Marine</b>                     |               |             | <b>8,086</b>   |
| <b>Held on Account by CITA</b>                           |               | 8,086       | <b>-8,086</b>  |
| <b>Balance Outstanding:</b>                              |               |             | <b>0</b>       |
| <b>Travel Expenses</b>                                   |               |             |                |
| Estimated travel expenses: (CITA/DOE/CISR)               | 20,000        |             | 20,000         |
| <b>Held on Account by CITA</b>                           |               |             | <b>-20,000</b> |
| <b>Balance Outstanding:</b>                              |               |             | <b>0</b>       |
| <b>Balance of Funds</b>                                  |               |             |                |

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|   |                |                |               |
|---|----------------|----------------|---------------|
| Estimate on additional fuel charges for tow (50% over contract) | 60,000         |                | 60,000        |
| Surplus in CITA accounts  |                | 19,000         | 41,000        |
| MOT 5% cost over run contingency fund                           |                | 26,501         | 14,499        |
| CITA 5% cost over run contingency fund                          |                | 26,501         | -12,002       |
| <b>Excess Funds for contingency:</b>                            | <b>565,022</b> | <b>572,024</b> | <b>12,002</b> |

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### **Schedule 2 – License Fee (Annual US\$)**

**(Subject to annual review by CITA)**

|                                |                          |
|--------------------------------|--------------------------|
| <b>Stay over visitors</b>      | <b>\$10. weekly pass</b> |
| <b>Cruise visitors</b>         | <b>\$5. daily pass</b>   |
| <b>Resident/Non-Commercial</b> | <b>\$25. annual pass</b> |

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### Schedule 3 – Kittiwake Maintenance Costs (Annual US\$) (Subject to annual review by CITA)

| <b>Year 1 projected COSTS:</b>                       | <b>Monthly</b>  | <b>Annual</b>    |
|--|-----------------|------------------|
| 6 divers/month @ \$150/day each                      | \$600           | \$7,200          |
| 1 Captain/Surface support @ \$150/day                | \$150           | \$1,800          |
| 1 boat charter for the day with fuel & tanks         | \$1,500         | \$18,000         |
| Unscheduled Maintenance / Contingency                | \$2,000         | \$24,000         |
| 1 full time Admin CITA Staff                         | \$2,500         | \$30,000         |
| Pension/Medical                                      | \$1,325         | \$15,900         |
| Office Supplies                                      | \$1,000         | \$12,000         |
| Diver supplies (lights, slates, lift bags, scooters) | \$500           | \$6,000          |
| Liability Insurance/CITA & BOD                       | \$425           | \$5,100          |
| Cost of License Identification @ 1.00                | \$2,708         | \$32,500         |
| Lease on Crown Property                              | \$1             | \$12             |
| <b>TOTAL COSTS:</b>                                  | <b>\$12,709</b> | <b>\$152,512</b> |